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## Uzbekistan, Republic of

### Cotton and Products

### Cotton Production Update

### 2006

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**Report Highlights:**

Uzbekistan's MY 2006/07 cotton harvest came to an end. As of November 20, 2006, Uzbek farmers harvested 3.72 million metric tons (MMT) of seed cotton. Based on increased seed cotton production, lint production and exports are forecast at 1.2 MMT (5.5 million bales) and 900,000 MT (4.1 million bales) accordingly.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Quarterly Report  
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## PRODUCTION

Uzbekistan's MY 06/07 cotton harvest came to an end. As of November 20, 2006 Uzbek farmers harvested 3.727 MMT of seed cotton in total, which is 3.5 percent more than the state production target (3.6 MMT). This year's favorable weather conditions during the vegetation period and harvesting in September-October considerably benefited the crop condition and allowed the farmers to over-fulfill the state target. Still, given farmers' low incomes, Post believes that sometimes GOU's official seed cotton production figures can be overestimated by 50,000-60,000 tons. Based on increased seed cotton production, Post forecasts Uzbekistan's MY 06/07 lint production at 1.2 MMT.

Regarding quality, private sector representatives currently do not expect any quality deterioration of the new crop. As for lint quality and its control, at the present time, there is a three-level system of cotton quality control in Uzbekistan:

- Control executed by the SIFAT (Uzbek Center for Lint Certification) pending the cotton certification procedure;
- Quality control executed by SIFAT at a storage terminal when accepting lint for storage. There are now 21 such cotton storage terminals in Uzbekistan with an aggregate storage capacity exceeding 400,000 tons.
- Control prior to the sales of lint from a terminal, executed by the Buyer in his own discretion.

## Production Policy

At the 2<sup>nd</sup> International Uzbek Cotton Fair recently held in Tashkent, the Minister of Foreign Economic Relations, Investments and Trade (MFERIT) declared the GOU's plans to keep the state seed cotton production target at the same level as in the past few years. At the same time GOU plans to produce cotton lint at the level of 1.2 MMT.

**Table 1. Seed cotton: Production vs harvest as of 11/20/2006**

Regions	Target	Actual harvest	
		In tons	In percentage
Karakalpak Repub.	185000	210700	113.9
Andijan Region	310000	277500	89.5
Bukhara Region	360000	383100	106.4
Djizzakh Region	234000	264800	113.2
Kashkadarya Reg	426000	441400	103.6
Navoi Region	110000	111600	105.5
Namangan Region	261000	253600	97.2
Samarkand Region	248000	265800	107.2
Surkhandarya Reg	345000	357600	103.7
Syrdarya Region	248000	272200	109.8
Tashkent Region	275000	312800	113.7
Fergana Region	323000	291400	90.2
Khorezm Region	275000	284900	103.6
<b>Total in Uzbekistan</b>	<b>3600000</b>	<b>3724400</b>	<b>104.24</b>
<b>2005 crop for the same period</b>	<b>3600000</b>	<b>3370313</b>	<b>93.62</b>

Source: The Ministry of Agriculture and Water Resources

Table 2: Cotton Production, Supply and Demand (In bales and tons)

Uzbekistan, Republic of Cotton							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate	
Market Year Begin		08.2004		08.2005		08.2006	MM/YYYY
Area Planted	0	1420	0	1450	0	1455	(HECTARES)
Area Harvested	1419	1419	1432	1432	1424	1436	(HECTARES)
Beginning Stocks	923	923	1298	1298	1248	1248	1000 480 lb. Bales
Production	5200	5200	5550	5550	5500	5500	1000 480 lb. Bales
Imports	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	6123	6123	6848	6848	6748	6748	1000 480 lb. Bales
Exports	3950	3950	4800	4800	4700	4128	1000 480 lb. Bales
Use	875	875	800	800	750	1055	1000 480 lb. Bales
Loss	0	0	0	0	0	0	1000 480 lb. Bales
Total Dom. Consumption	875	875	800	800	750	1055	1000 480 lb. Bales
Ending Stocks	1298	1298	1248	1248	1298	1565	1000 480 lb. Bales
Total Distribution	6123	6123	6848	6848	6748	6748	1000 480 lb. Bales
Stock to Use	26,90155	26,90155	22,28571	22,28571	23,81651	30,19487	(PERCENT)
Yield	798	798	844	844	841	834	(KG/HA)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate	
Market Year Begin		08.2004		08.2005		08.2006	MM/YYYY
Area Planted	0	1420000	0	1450000	0	1455000	(HECTARES)
Area Harvested	1419000	1419000	1432000	1432000	1424000	1436000	(HECTARES)
Beginning Stocks	201382	201382	283200	283200	272291	272291	(MT)
Production	1134545	1134545	1210909	1210909	1200000	1200000	(MT)
Imports	0	0	0	0	0	0	(MT)
MY Imp. from U.S.	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	1335927	1335927	1494109	1494109	1472291	1472291	(MT)
Exports	861818	861818	1047273	1047273	1025454	900654	(MT)
USE Dom. Consumption	190909	190909	174545	174545	163636	230182	(MT)
Loss Dom. Consumptio	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumpt	190909	190909	174545	174545	163636	230182	(MT)
Ending Stocks	283200	283200	272291	272291	283200	341455	(MT)
TOTAL DISTRIBUTION	1335927	1335927	1494109	1494109	1472290	1472291	(MT)
Stock to Use	26,90155	26,90155	22,28571	22,28571	23,81651	30,19487	(PERCENT)
Yield	798	798	844	844	841	834	(KG/HA)

Table 3. The main planted cotton varieties and their quality characteristics

Variety	Micronaire unit	UHML inch	Strength gf/tex	UI %	Reflectance %	Yellowness %
Akdarya 5	4,45	112,37	28,79	82,36	80,65	8,17
Akdarya 6	4,43	111,95	29,94	82,92	79,92	8,61
Akkurgan 2	4,50	112,51	29,85	82,94	78,75	8,25
An-Bayaut 2	4,53	110,56	29,60	82,39	79,08	8,80
Andijan 35	4,64	109,87	30,94	83,24	79,26	9,15
At_Termiziy	4,76	112,30	31,30	82,98	78,79	8,70
Bukhara 102	4,27	112,62	31,67	83,53	79,63	8,81
Bukhara 6	4,43	113,08	31,66	83,46	80,47	9,04
Bukhara 8	4,39	113,04	31,68	83,75	80,31	9,05
Denau	4,64	110,81	30,10	83,05	78,23	8,93
Mehnat	4,60	111,27	30,57	83,12	80,55	8,66
Namangan77	4,57	110,81	30,84	83,29	79,53	8,70
Omad	4,51	114,69	30,36	83,47	78,83	8,40
C 4727	4,74	109,37	30,76	82,78	79,95	8,61
C 6524	4,34	112,50	32,14	83,39	78,34	8,37
Tashkent 6	4,30	109,97	30,45	82,28	77,63	8,69
Horezm 127	4,63	112,66	31,37	83,16	80,72	8,39

Source: Ministry of Agriculture and Water Resources

## CONSUMPTION

Uzbekistan currently utilizes about 25 percent domestic cotton production depending on the crop results. A year ago GOU declared that it plans to process 50 percent of lint for the domestic textile industry by 2008. However, some independent experts believe that it may take longer to achieve this goal in domestic consumption. In order to achieve it, the GOU intends to carry out 100 investment projects, mostly in the textile industry amounting to USD1.2 billion.

The spinning and weaving industries continue to invest heavily in new equipment as well as to renovate existing equipment due to improved profitability over the past three years. The domestic demand, which is getting stronger with a marginal increase over the last year, and the stronger export demand, especially in cotton yarn, are both responsible for the current market surge. Looking to 2006, the textile industry knows it must aggressively pursue quality improvements and production diversification to include more value-added products, rather than rely mainly on low-value yarn based exports, if it wants to remain competitive in the global market. In order to achieve this goal the GOU started providing some tax incentives to textile manufacturers, geared in particular toward production of higher value-added products. The government incentives include reduced inspections and simplified licensing, registration and certification procedures. The concrete tax incentives to manufacturers include exemption from duties on imported equipment, dyes, accessories, and other materials not available domestically. Companies employing a full production cycle in country are eligible for discounts on purchases of lint, and exporters are eligible for VAT exemptions on domestically produced products. Most of these privileges extend until 2009. Most observers believe the GOU's program could be successful if it follows through on promised incentives and employs them consistently.

## Domestic Seed Cotton and Lint Prices

In the beginning of September just prior to harvest, the Ministry of Finance established the procurement prices for seed cotton as well as lint for MY06/07. The current average

procurement price for seed cotton (based on grade 2 class 5) equals Sums 306,000 per ton, and the average wholesale price for lint procured for state needs is reportedly Sums 1.35 million.

(The current official exchange rate – Sums 1237 = USD 1.00)

**Table 4: Uzbek Textile production 2003-06 (Calendar years)**

Product type	2003	2004	2005 Estimate	2006 Forecast
Cotton yarn (tons)	171800	152400	230000	300000
Stockinet (tons)	4000	4300	5000	5500
Fabrics (mln.sq.m)	415	300,8	350	400
Knitted products (mln units)	21,2	29,6	35,0	40,0
Hosiery products (mln units)	13,4	17,5	25,0	28,0

Source: State Joint-Stock Company "O'zbekyengilsanoat"

## TRADE

There are no any noticeable changes in the pattern of cotton exports. Still, the trading companies of MFERIT handle centralized cotton exports. On October 17-19, 2006 MFERIT with the support of ICAC (International Cotton Advisory Committee) and Cotton Outlook organized the 2<sup>nd</sup> International Uzbek Cotton Fair. According to organizers, 350 representatives from 32 countries took part in this event. As a result of this year's Fair, as per MFERIT's information, the framework contracts were concluded for the sale of 1.7 million tons of Uzbek lint. Out of this volume 600,000 tons are planned to be exported from 2006 crop and the remaining contracted volumes will be shipped form 2007-2008 crops. Among the biggest buyers in this Fair there were trading companies from China, UAE, Singapore, Bangladesh, South Korea and Russia.

Based on production forecast MY 06/07 lint exports are forecast at 900,000 MT (4.1 mln bales).